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License Renewal Application  
to the  
CANADIAN RADIO-TELEVISION COMMISSION  
on behalf of  
THE CTV TELEVISION NETWORK LIMITED  
AND AFFILIATED STATIONS  
April 1970







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Publications



LICENSE RENEWAL APPLICATION

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on behalf of

CTV TELEVISION NETWORK LTD.

and

AFFILIATED STATIONS

April 1970




LICENSE RENEWAL APPLICATION

Mr. Chairman - Members of the Commission:

On February 23rd, 1966, the eleven private stations comprising the I.T.O. (Independent Television Organization) group then affiliated with CTV, stood before your predecessors, the Board of Broadcast Governors, and made application to purchase all the outstanding shares in the CTV Television Network Ltd.

All those stations are represented here today, and while seven of them are taking part in this presentation, all are available to the Commission for questioning. Reading from West to East:

✓ CHAN	Vancouver - J.R. Peters
✓ CFRN	Edmonton - Dr. G.R.A. Rice
✓ CFCN	Calgary - E.W. Chapman
CKCK	Regina/Moose Jaw - H. Crittenden (CKCK joined CTV with effect Fall 1969 as a replacement for CHRE/CHAB, which has been purchased by the CBC).
✓ CJAY	Winnipeg - R. Misener
CKCO	Kitchener - W. McGregor
✓ CFTO	Toronto - J.W.H. Bassett
✓ CJOH	Ottawa - S.W. Griffiths
CFCF	Montreal - D.W.G. Martz
✓ CKCW	Moncton/Saint John - F. Lyons (The Commission is aware that the first step in the extension of the alternative service brought CKCW to us as a new affiliate in the Fall of 1969).
✓ CJCH	Halifax - E.F. MacDonald
CJON	Newfoundland - C. Jamieson



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In 1966 we proposed to operate a national network service in the public interest - co-operatively - and to provide within our collective capacity a balanced program service in the national interest, comprising a mix of information and entertainment.

The proposition was and is remarkable in many ways.

1.

First, the nature of the shareholding structure, which provides for the obligations of the Network to be borne on a proportional basis by the shareholding stations, and

2.

Second, notwithstanding the wide disparity among the individual shareholding units and their obligations, each shareholder was allowed only a single vote or voice in Network policy, and

3.

Third, the control of the programming of the Network service was delegated to the Network Management, subject only to the directorial control on a single voice per station basis.

This concept of a mutual Network was and is a difficult and delicate operation - (it has not worked elsewhere where it has been tried). Our co-operative has worked despite dissimilarity in scale and capacity of the various elements.

Other Networks in the commercial or private enterprise field have ownership of a key group of owned and operated stations, providing not only for the generation of revenue at the station level, but more important providing a guarantee of exposure in key markets.

Notwithstanding the drawbacks and limitations, we believe we have demonstrated our capacity to adjust to and for the disparity of scale and interest; and to function effectively to fulfil our original objectives.





At the time of our application we were a major market unit of eleven stations. With effect the White Paper on Broadcasting and the 1968 Broadcasting Act and the creation of the Canadian Radio-Television Commission, we re-examined our role and recognized the need to provide the alternative service to many areas of Canada with only a single service. We have participated in the consultative process with the Commission and other interested parties, and have established our preparedness to participate in the orderly expansion of our coverage - even though it is well known that there can be little improvement in our economic base. Indeed the contrary is clearly the case, as contemplated extensions from CTV's basic Network reflect an increased operating cost, without the prospect of a commensurate increase in income.

In this process, with effect the Fall of the current season, we welcomed CKCW Moncton/Saint John to the CTV family.

In order to function effectively we have found it necessary over the years to adjust the various formulae by which the shareholder affiliates relate to one another, and the well known "Robin Hood" theory has been applied - whereby on a voluntary basis the larger stations with a sounder economic base have contributed disproportionately to the operation of the Network, thus easing the burden on the smaller units especially those able to demonstrate hardship.

We had undertaken, as of our November 1969 Annual Meeting, an examination of the entire formulae structure. In fact we commissioned an independent study by Woods, Gordon in the hope that by the time of our license renewal we would be able to supply to the Commission, and implement, a structure which would fully reflect the ability to pay principle against the real and projected needs of the Network.

Our consultants were authorized to evaluate each station's position, and were guided by our estimates of future coverage patterns, CBC commercial policy, requirements for program development, implications of cable and additional fragmentation expected - in short all of the considerations we could reasonably expect to affect our future operations.





Unfortunately - the consultants were reluctantly forced by the announcement of proposed new regulations to report that these new formulae proposals would have to be deferred. This is not suprising since the impact of the proposals at a station level will vary so widely depending upon whether the market is border adjacent, or where on the advertiser priority list it may stand. Indeed, until reasonable projections could be made of the regulations and their direct effect on the Network, the stations net position in respect of the Network operation would be difficult to evaluate.

The shareholders agreement and the affiliates agreement, on file since our application, are still in force; and while we have not modified them as legal documents - resolutions of both the shareholders and the board have adjusted the operating nature of these agreements. For example: All committee functions are now advisory to the Network Management. Their recommendations, after consultation with Management, are evaluated by the Directors and subject to their approval.

Another important example of the necessary kind of adjustment has to do with cost sharing. Just after approval on March 4th, 1966, we began detailed planning of the 1966/67 season and the programming, overhead, capital and general operating requirements (including conversion to colour). These costs proved to be substantially higher than earlier estimates.

"Had advertising revenues been handled on the Network's Profit and Loss Statement as called for by the Agreements, the Network would have sustained a loss of \$4,110,400 in the first year (1966-67) alone. In the short (11 month) 1967-68 year a further loss of \$4,463,000 would have been incurred."

The shareholders, therefore, adjusted the interpretation of revenue sharing to pay for programs and distribution out of gross revenue, before applying the percentage for station time.

There are other examples, but these should suffice to reassure the Commission of the intent of the stations as shareholders.





When asked for the definition of a Network, we have always placed our priorities on the nature and quality of our program service. Without programs we have a useless microwave contract, or redundant origination capacity - no public identification - no service to the viewers - and no service to offer the advertising community.

Our first and primary emphasis has always been on programming. We have carefully and consciously revised our programming over the years to emphasize quality as opposed to quantity. We have complied with the Broadcasting Act and the regulations supporting it.

While we have operated within the regulations for Canadian Content and in our overall service to the stations we have consistently provided more Canadian than the regulations require. We have found that our identification across Canada has been upgraded by the impact and values of individual programs.

Over the past four years the average direct cost per Prime Time hour for our Canadian program service has increased by 80.5% while non-Canadian programming increased by only 7.5%. Furthermore, programming expenditures for the last complete fiscal year (1969) in Network sales time hours (about 25 hours per week) were as follows:

71.1%	-	Canadian Content
4.9%	-	Commonwealth Content
24.0%	-	U. S. Content

These percentages reflect only direct licensing and production costs. No distribution, origination or overhead costs directly attributable to the program service are included.





For your further information, the actual dollar figures are as follows:

\$5,310,000	(71.1%)	- Canadian Content
\$ 365,000	( 4.9%)	- Commonwealth Content
\$1,791,000	(24.0%)	- U. S. Content

Our total direct program expenditures last year in Network Sales Time amounted to \$7,466,000 or approximately one-half of Network revenue before any absorption of microwave, overhead, and time payments to affiliated stations.

For the past four years we have placed heavy emphasis on the development of programs which could be produced in Canada using Canadian facilities, artists and technicians, but which would not be restricted by the budgetary limitations inherent in the Canadian market.

We've developed co-production projects and relationships with Canadian, U.S. and British producing or broadcasting companies.

We've invested heavily in this highly speculative field, because we believe that with the sophistication of the Canadian viewer, which results from access to programs from the major production centres of the world, we cannot expect Canadians to respond to less desirable entertainment programs with lower standards of production, scripting, direction or performance dictated by the size of the Canadian population and market. These activities involve not only simple speculative exposure, but high cash flow requirements over extended periods.

Much of this activity is now reaching fruition, and the Commission has seen, or will shortly see, examples of the higher quality programming which results.

In the time since 1966/67 our presence has been felt as a force for Canadian identity. The public, through their growing viewership of the CTV stations, their letters and the critics; and for that matter Parliament itself has recognized our efforts; and with only the appropriate amount of humility even the CBC has been moved to compete with us in areas where one might have assumed they would have automatic supremacy (if for no other reason than the funds which they have at their disposal).





The only element of our operation to which we can attribute all of this is our programming, and I should emphasize that this includes the programming at the station level, as well as our national efforts at the Network.

Therefore I would like to get to the heart of the matter. As a result of our discussions with the Executive Committee of the Commission, we have invited certain of our stations to join us for the presentation, in order to give you an overall view of the total CTV image - Stations and Network.

STATION/S PRESENTATION

NETWORK PROGRAMS/PRESENTATION





CONCLUSION:

Ladies and Gentlemen of the Commission:

There it is, compressed and fragmentary, but we believe impressive. The stations and the Network combined are a useful, productive, contributing element of the broadcasting services available in Canada, made so by the commitment of the shareholders, both financial and operational.

We have consulted with the Commission and advised them on all aspects of the development of the broadcasting structure over the years. For example: policy on microwave/CATV, extension of service, etc.

We are in the midst of an uncertain period. New regulations are not final. We face further policy changes not yet concluded with respect to CATV, microwave and ultimately satellites. We have to compete with the CBC both in programming, without their budgets - and in commercial areas, without their ability to subsidize the advertiser.

We see new technology, and the continuing problems of extension of service - all made very difficult by policies over which neither we, nor in some instances you, have final sway.

Notwithstanding, we are confident that somehow a reasonable balance will be achieved and appropriate adjustments will take place, and we, therefore, on behalf of all of the shareholders and affiliates of the Network, pledge to carry on with our undertakings to operate the Network and stations in the public interest.

Thank you.

April 9, 1970  
cn.





# MEMORANDUM

CLASSIFICATION

~~CONFIDENTIAL~~

CHAIRMAN  
COMMISSION MEMBERS

YOUR FILE No.  
Votre dossier

OUR FILE No.  
Notre dossier

Mr. Hylton  
General Counsel

DATE 9 April, 1970

AN ANALYSIS OF CTV, APRIL PUBLIC HEARINGS

This memorandum is an attempt to review the CTV, and set out in as simple terms as possible, its role and function in broadcasting. Only a very small part of the memorandum is confidential, specifically relating to dollar values, and the balance of the memorandum is therefore general information.

Historical Background:

The CTV television network limited was a federally-incorporated company set up to provide programmes to independent television stations. It sold about twenty-five hours of programme time to advertisers. There was also a programme service called ITO, the Independent Television Organization which provided about another twenty-five hours of programming service to independent stations. In 1966, the ITO was merged with the CTV, and reorganized to provide a network programming service to eleven stations across Canada, generally found in the larger markets.

The birth of the present CTV was somewhat complicated by the necessity for the stations which advanced funds to CTV to be assured of some security. To this end a company called CANET Holdings Ltd., was incorporated to hold shares of CTV, and in return





for the monies advanced by the independent stations to CTV, CANET issued debentures for the benefit of the associated stations in proportion to the funds advanced. CANET issued these debentures because CTV, as reorganized has no assets and a deficit.

Definitions:

One or two explanations are necessary for the terms which govern the contractual relationship between the affiliated stations and CTV:-

1. "Rate Card" - for the purpose of establishing rates as between affiliated stations, the "highest national 60-second spot rate" is used. This is the highest amount charged by each station for the most expensive minute in any part of its programming. This rate varies from year to year.
2. "Affiliated Station" - is of course, a station in the CTV network.
3. "Network Time" - is that portion of the total broadcast time of affiliated stations which is made available for CTV network programmes only.
4. "Network Sales Time" - refers to that part of the network time on an affiliated station which CTV supplies to the station but on which the CTV sells its own advertising.
5. "Station Sales Time" - means the balance of network time which the affiliated station buys from CTV, and then the station or the station's representative sells the time to its advertisers.



6. "Station Time"- is the balance of the time remaining to an affiliated station after deducting network time.
7. "CTV Formula" - or formulas, include the various methods of computing the sharing and percentage costs to be borne by the CTV on the one hand and the affiliated stations, depending on their size and profitability, on the other.

Network Sales Time:

Under the original agreement there was to be  $23\frac{3}{4}$  hours of network sales time, and there is at present, about  $22\frac{1}{4}$  hours. This is time which the affiliated station must take from CTV, and must schedule according to the CTV schedule. The station cannot sell the advertising for this time, which is reserved to CTV.

Last year the gross time sales made by CTV for this network sales time totalled \$16.8 million, of which \$8.9 million were expenses, leaving a balance of \$7.9 million as the earnings of the CTV network operation after expenses.

Formula 1.

At this point, the so-called formula is applied and starts off very simply. Of the \$7.9 million earned after expenses, this is shared about 75% to the affiliated stations and 25% kept to the CTV network. (Sports events and specials create a slight distortion in this formula). 75% of this \$7.9 million is about \$5.8 million, and this sum of money is distributed by CTV to each of the affiliated stations on a percentage basis based on the highest rate card charge.





As an example, if Station X has a highest charge for one minute of \$300.00 and the total of all the highest charges of the other CTV stations makes up \$3,000, then Station X obviously has 10% of the total. Station X would then receive 10% of the \$5.8 million as its share of the 75% of the earnings of CTV from network sales time.

Of course there has to be a complication to this formula, because what the network reports as the amount paid to each affiliated station is always different from the amount that the formula, if strictly applied would require. This is caused by a number of factors, partly known to CRTC but basically part of the negotiations between the affiliated stations and CTV.

Station Sales Time:

The network, although it said originally that it would provide sixty hours of programming, has reduced this to about fifty hours of network time and in fact provides about twenty-two and a quarter hours of regular network sales time programming, plus some additional hours from some sports and other specials. This leaves about twenty-four hours for station sales time, that is to say, programmes provided by the CTV network to the stations, which the stations have to pay for, but which they can schedule, re-schedule, use or not use as the station decides. The station buys these programmes from CTV, and then has the right to sell these programmes to advertisers and keep the profit between the price paid to CTV and the price at which the programmes are sold to advertisers. Any proceeds from this goes into the revenue of each affiliated station. The CTV





only intends to break even on this programme service. And it appears that only a very low percentage of the price charged for these programmes to the affiliated stations is taken up with operational costs and the commissions necessary to obtain these programmes. By its original contractual agreement with the affiliated stations, the CTV established a programme committee, which buys the programmes for the stations. As I said above, the stations are required to take these programmes but whether they use them or not is their own business. By the same token, the stations are required to pay for these programmes whether they use them or not. CTV charges the affiliated stations on different formulas for the cost of these programmes. Without going into the formulas, the Canadian programmes are charged on formula No. 2, and the non-Canadian programmes are charged on the basis of formula No. 3. This charge to each station is a percentage of the total cost to CTV for providing the programming and distribution by micro-wave of these programmes to all the affiliated stations. The percentages which are the basis for payment for this programming are arrived at by negotiation between CTV and all the affiliated stations. The formulas are complicated, and Mr. Hagborg's materials relating to CTV will amplify the calculations. At one time, the formulas were all the same as formula 1, based on the highest cost for a minute on the rate card. This has been revised to shift the economic burden, particularly the cost of U.S. programme service to the larger stations, obviously to



support and assist the smaller stations. As an example, based on confidential figures, under the original formula CFTO in Toronto would be required to pay 16.82% of the total cost of CTV's programmes provided for the station's sales time, in fact this has been raised to 22.5% for Canadian programmes and 25% for U.S. programmes. On the other hand, CHAB in Regina (CKCK) originally would bear 3.54% of these costs, however, this has been reduced to 2% of the costs for the Canadian programmes supplied and 2.5% for the cost of U.S. programmes.

Comment:

CTV will probably take the position that distribution of costs under the original formula was to provide for the affiliated station paying for any deficit in the network's operations. It was originally designed so that the network would always break even. It is suggested that in the last year, the network has not been profitable and rather than have the stations pay more to reduce the deficit, the stations decided to give up several extra minutes of what would have been station sales time to the network for network sales time. This is not verified. However, this type of readjustment seems to be "built in" intentionally to the system.

Station Time:

Any affiliated station needs about one hundred to one hundred and thirty hours per week of programming to fill its schedule. CTV provides roughly fifty hours of programming (which includes sports and other specials) which leaves about sixty hours which the affiliated station must fill by itself. This sixty hours is made up of local





programming and some syndicated purchases made by the affiliated stations acting independently from various programmes distributors.

Canadian Content:

In order to satisfy the present regulations regarding Canadian content, CTV provides a certain amount of Canadian programming as follows:

1. Network sales time is about evenly divided with eleven hours of U.S. programming and eleven hours of Canadian.
2. Station sales time is divided about 12.5 hours U.S. programming and 9.5 hours Canadian.
3. Station time (not provided by CTV) is made up of the required balance between local programming (Canadian) and syndicated programming, often from the U.S. to fill up to the permitted foreign percentage content.

List of Stations Affiliated with CTV:

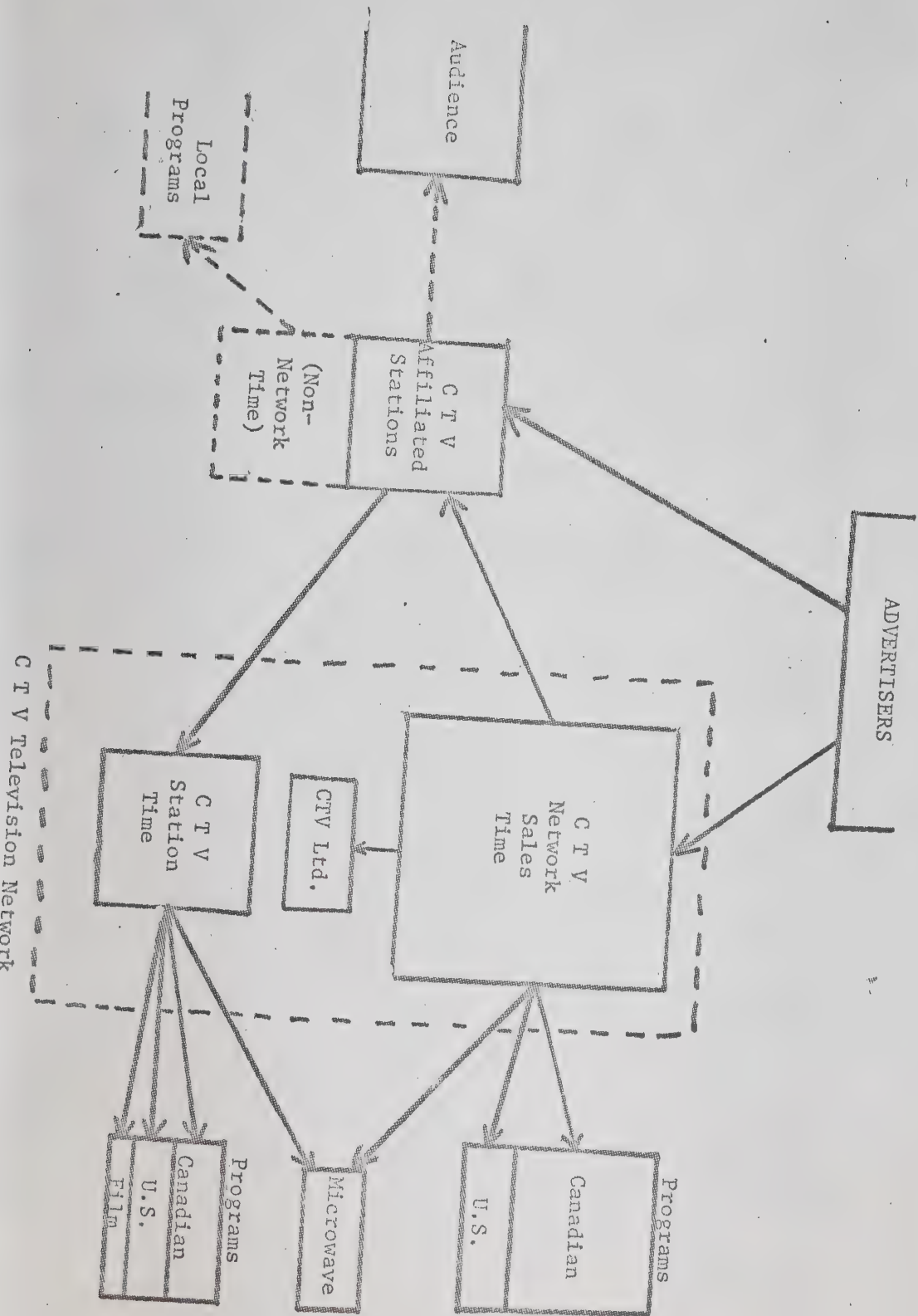
1. CHAN, Vancouver, B.C. Television Broadcasting.
2. CFRN, Edmonton, Sunwapta.
3. CFCN, Calgary - CFCN TV.
4. CKCK, (CHAB LTD.) Moosejaw.
5. CJAY, Winnipeg - Channel 7 TV.
6. CKCO, Kitchener, Central Ontario (Pollock)
7. CFTO, Toronto - Baton Broadcasting.
8. CJOH, Ottawa - Bushnell TV
9. CFCF, Montréal - Canadian Marconi.
10. CKCW, Moncton.
11. CJCH, Halifax - CJCH Ltd.
12. CJON, St. John's Nfld. - Nfld. Broadcasting.

NOTE: CRTC policy re northern expansion will affect all northern stations in their relation to CTV, and would result in further affiliations of some kind.





# C T V TELEVISION NETWORK OPERATING CASH FLOW





STAFF COMMENTSBROADCAST PROGRAMMES BRANCHTHE CTV TELEVISION NETWORK

The original CTV network began operations in October 1961. There were originally eight stations: CJCH-TV, Halifax; CFCF-TV, Montreal; CJOH-TV, Ottawa; CFTO-TV, Toronto; CJAY-TV, Winnipeg; CFCN-TV, Calgary; CPMN-TV, Edmonton; CHAN-TV, Vancouver. CHAB-TV, Moose Jaw was added in 1962, CKCO-TV, Kitchener in 1963 and CJON-TV, St. John's, in 1964. In the Fall of 1969, CHAB-TV, Moose Jaw was disaffiliated, and two new stations were added: CKCW-TV, Moncton and CKCK-TV, Regina. The total now stands at twelve stations.

During its first year of operation, 1961-62, the network produced fifteen hours and thirty minutes per week. From 1962 to 1965 the total number was about 22 hours, and 1965 - 1966 nearly 26 hours. CTV reached its highest output in the season 1966-67 immediately after network ownership changed from Caldwell to its affiliates. That season, the figure was 61 hours and 30 minutes per week. The great increase is accounted for by the fact that the "Independent Television Organization", the group purchasing organization the affiliates operated until that time, was discontinued and its programming was distributed by CTV. Some of the day-time strips were dropped for the season 67-68 and since that time the weekly output has been around 50 hours.

CTV programme service is broken down two ways: (a) "Network Sales" which are simultaneously scheduled by affiliates and constitute the CTV equivalent of the CBC "Option Time" package; and, (b) "Local Sales", which are programmes purchased by CTV and edited by the network, and delivered to stations on microwave with the affiliates required to sell the commercial time or cover black.

CTV output at the present breaks down this way (February 16 - 22, 1970):

Full Day

Canadian	22:15	(46.6%)
Non-Canadian	25:30	(53.4%)
Total	47:45	(100%)

In line with the proposed new regulations the following figures are of interest:

6:30 - 11:30 p.m.

Canadian	7:40	(26%)
Non-Canadian	21:50	(74%)
Total	29:30	(100%) (61.8% of Total Output)

CTV's breakdown by major programme categories are as follows:

Full Day

Information	13:45	(28.8%)
Light Entertainment	29:30	(61.7%)
Arts, Letters & Sciences	-	-
Sports	4:30	(9.5%)
Total	47:45	(100%)





CTV TELEVISION NETWORK (Cont'd)

6:30 - 11:30 p.m.

Information	7:10	(24.3%)
Light Entertainment	19:50	(67.3%)
Arts, Letters & Sciences	-	-
Sports	2:30	(32.6%)
Total	<u>29:30</u>	<u>(100%)</u>

Canadian Programming - Full Day

Information	10:15	(46%)
Light Entertainment	9:00	(40.5%)
Arts, Letters & Sciences	-	-
Sports	3:00	(13.5%)
Total	<u>22:15</u>	<u>(100%)</u>

Canadian Programming (6:30 - 11:30 p.m.)

Information	4:10	(4.4%)
Light Entertainment	1:00	(13%)
Arts, Letters & Sciences	-	-
Sports	2:30	(32.6%)
Total	<u>7:40</u>	<u>(100%)</u>

The Programmes Branch monitored the total output of CTV during the full week from February 16 to February 22 inclusive. What follows is largely extracted from the resulting report, arranged in terms of the four major programme categories.

INFORMATION

News

Compared with the CBC, CTV's news operation is small. But it is attractively produced, and holds a respectable audience. One gets the impression there is a tremendous load placed on Harvey Kirck, the anchor man, and Bruce Philips in Ottawa, and also that the staff is spread a bit thin. For example, during the week our monitor observed CTV, Kirck said there was no further news on a particular matter when in fact, further news had been on the streets in Toronto in the early edition of the Globe and Mail since about 9:30 that evening. On the other hand, CTV news is often able to move more quickly on breaking news stories than the CBC. There appears to be a weakness in coverage of stories from western Canada. Coverage of the Atlantic area has improved recently. Our monitor concludes: "Given the resources upon which it must rely, the CTV news service is a very creditable operation. It seems a great deal more productive than the CBC. However, the limitations of the operation are such that CTV cannot originate as much news reportage as one might think a national service should. Much of the content of CTV's national news programme each night has to consist of repeating news reports first made elsewhere."









